

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF THE RATES OF KENTUCKY-) CASE NO.
AMERICAN WATER COMPANY) 2000-120

COMMISSION STAFF'S FIRST SET OF INFORMATION REQUESTS
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that the Attorney General of the Commonwealth of Kentucky ("AG") file the original, 3 paper copies, and one electronic copy of the following information with the Commission no later than August 25, 2000, with a copy to all parties of record. Each copy of the information requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Direct Testimony of Robert J. Henkes at 38 – 41.
 - a. (1) Identify all utility regulatory rate proceedings of which Mr. Henkes is aware in which a utility regulatory commission permitted the inclusion of the

unamortized balance of deferred actual project design costs, subsequently declared to be abandoned, in a utility's rate base.

(2) For each proceeding that is listed above, provide the written decision or opinion of the utility regulatory proceeding or, if the opinion is published in Public Utility Reports, the citation for this opinion.

b. (1) Identify all utility regulatory rate proceedings of which Mr. Henkes is aware in which a utility regulatory commission permitted the inclusion of the unamortized balance of an abandoned project in a utility's rate base.

(2) For each proceeding that is listed above, provide the written decision or opinion of the utility regulatory proceeding or, if the opinion is published in Public Utility Reports, the citation for this opinion.

c. (1) What is, in Mr. Henkes' opinion, the most commonly accepted rate base treatment for recovering costs related to abandoned projects that are no longer considered to be used and useful?

(2) List the states that:

(a) Have expressly adopted the approach that Mr. Henkes describes in Item 1(c)(1).

(b) Have expressly rejected the adopted the approach that Mr. Henkes describes in Item 1(c)(1).

2. Refer to the Direct Testimony of Robert J. Henkes at 41-42.

a. Explain the basis for Mr. Henkes' recommendation that abandoned costs related to the BWP pipeline be amortized over a 20-year period.

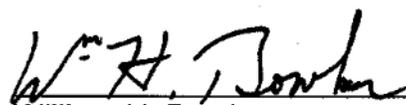
b. If a 70-year cost recovery period is appropriate for a constructed pipeline, why is a 20-year cost recovery period appropriate for the abandoned project?

3. Refer to the Direct Testimony of Robert J. Henkes at 56 – 60 and Schedule RJH-14. Kentucky-American Water Company (“Kentucky-American) states that higher sales for resale during 1999 were the result of a drought period as well as “supply problems” experienced by Georgetown Municipal Water and Sewer Service and the city of Versailles. Explain why, in light of this argument, actual sales for resale for the 12-month period ending June 30, 2000 is a better indicator of future sales than an average of prior years sales for resale.

4. Refer to the Direct Testimony of Robert J. Henkes at 64.

a. Is Mr. Henkes aware of any compensation study that is available at a reasonable cost and would be appropriate for Kentucky-American to use in developing its incentive compensation plans?

b. How would the use of such a study be beneficial to ratepayers and to stockholders?



William H. Bowker
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DATED: August 11, 2000

cc: Parties of Record